



**American Insurance Association**

**763** 1 Walnut Street  
Boston, MA 02108  
617-305-4150

[www.aiadc.org](http://www.aiadc.org)

**STATE OF CONNECTICUT  
INSURANCE AND REAL ESTATE COMMITTEE**

**SB 763, AN ACT CONCERNING THE CONNECTICUT UNFAIR INSURANCE  
PRACTICES ACT**

**February 3, 2009**

**Statement of the American Insurance Association**

This statement is submitted by the American Insurance Association (AIA). AIA is a national trade association representing 350 property-casualty insurance companies that write property-casualty insurance in every U.S. regulatory jurisdiction. AIA member companies write almost forty percent of the property-casualty insurance market in Connecticut. AIA strongly opposes Senate Bill 763, An Act Concerning the Connecticut Unfair Insurance Practices Act.

Senate Bill 763 would allow a new private cause of action for unfair claim settlement practices without the necessity of showing a general business practice on the part of an insurer. Connecticut's current Unfair Insurance Practices Act (CUIPA) is based on the NAIC Model Unfair Trade Practices Act. The vast majority of states have adopted the NAIC Model Act, or a similar statute or regulation. We are not aware of any compelling reason for Connecticut to change what has been the standard in Connecticut for over 50 years and is currently the norm throughout the country.

Removing the general business practice standard from CUIPA would allow insurers to be sued for single isolated inadvertent errors – such as clerical errors - that do not even cause harm to the consumer. Punishing innocent error was not and is not the intent behind CUIPA. CUIPA is intended to address alleged insurer misconduct that is performed frequently and thus indicates a pattern or general business practice.

Furthermore, allowing a private cause of action will likely result in a CUIPA violation claim as part of every insurance coverage settlement dispute. Insurers will then settle more unsubstantiated claims to avoid a lawsuit, which will increase their settlement costs. Ultimately, the cost of insurance also increases to offset those costs, and consumers will end up paying more for insurance. This is an unfair result, especially in the current economic environment. In addition, as the cost of insurance increases, the number of uninsured people will also increase significantly.

CUIPA already provides appropriate protections for consumers. However, the proposed amendments in Senate Bill 763 will ultimately harm consumers. Therefore, AIA urges this Committee to reject Senate Bill 763.